

2005 REACH National *Medicare & You* Training Program

Speaker Name
Group Name
Date



Medicare Prescription Drug Coverage

Session Topics

- Overview
- Key messages
- Eligibility and enrollment
- Extra help
- Out-of-pocket threshold
- Medicare prescription drug coverage
- Coordination with other coverage
- Employment-related coverage options
- Protections for people with Medicare

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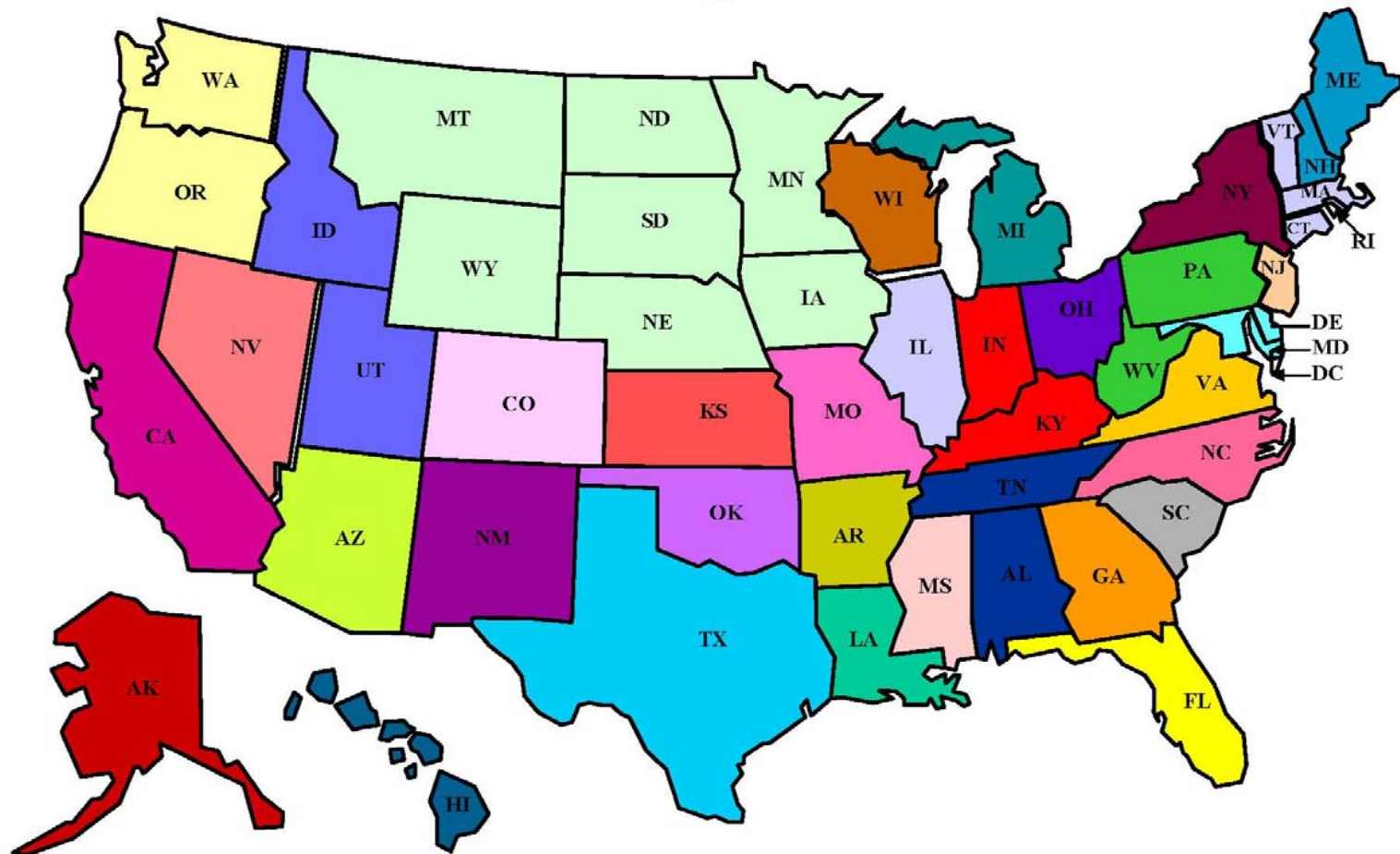
Medicare Prescription Drug Coverage

- Coverage begins January 1, 2006
- Available for all people with Medicare
- Provided through
 - Prescription drug plans (PDPs)
 - Medicare Advantage Plans (MA-PDs)
 - Some employers and unions to retirees

PDP and MA-PD Regions

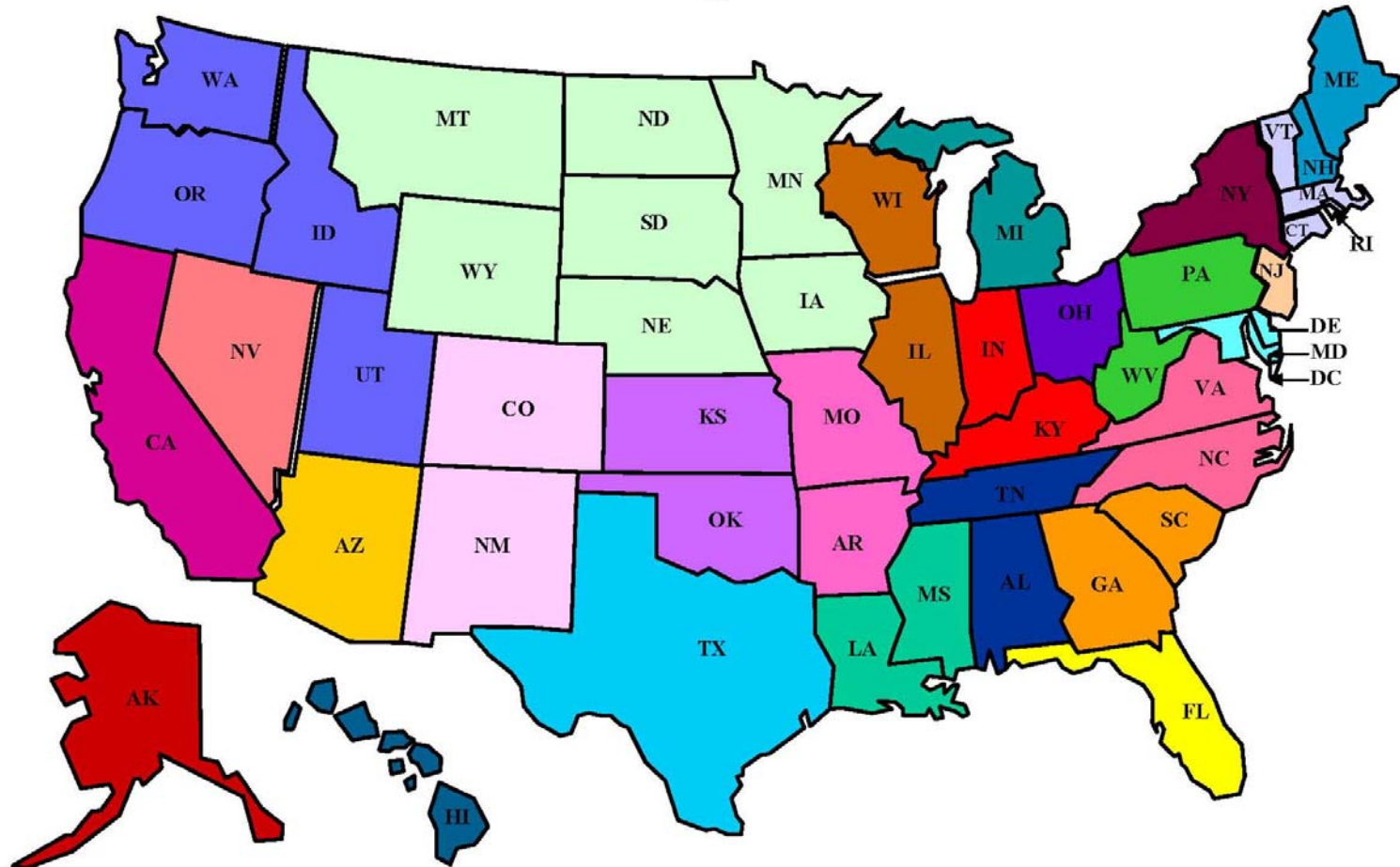
- 34 PDP regions
- 26 MA-PD regions
- Key factors in establishing regions
 - Eligibility population and capacity
 - Beneficiary consideration
 - Limited variation in prescription drug spending

PDP Regions



Note: Each territory is its own PDP region.

MA Regions



Medicare Prescription Drug Plans

- Must offer basic drug benefit
 - Standard benefit
- May offer supplemental benefits
 - Enhanced benefit
- Can be flexible in benefit design
- Must follow marketing guidelines

Example of Standard Prescription Drug Coverage

- Generally less than \$37 monthly premium
- \$250 deductible
- Coinsurance of 25% of drug costs from \$250 to \$2,250
 - Medicare pays 75%
- 100% of drug costs from \$2,250 to \$5,100
- After \$3,600 in out-of-pocket costs, Medicare pays approximately 95%

Alternative Prescription Drug Coverage

- Alternative coverage
 - Annual deductible is not higher than \$250 in 2006
 - Catastrophic protection at least as much as under standard coverage
- Enhanced coverage
 - Includes supplemental coverage

Enhanced Prescription Drug Coverage

- Plan can structure benefit differently
 - Out-of-pocket threshold applies no matter how it is structured
- Plan may provide coverage where there's no coverage under standard plan
- May offer additional drug coverage

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Key Messages

- Drug coverage that helps you pay for the prescriptions you need
- Medicare prescription drug coverage is available to all people with Medicare
- There is additional help for those who need it most
- The Medicare prescription drug coverage pays for brand name and generic drugs
- You can choose between at least two Medicare prescription drug plans and pick a plan that is right for you

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Eligibility and Enrollment

- Entitled to Part A and/or enrolled in Part B
- Reside in plan's service area
- Must enroll in a Medicare prescription drug plan to get Medicare prescription drug coverage

Enrolling in a Plan

- People with Medicare can enroll
 - Directly with the plan sponsor
 - Through a personal representative
 - “Stands in the shoes” of a person with Medicare and has authority to act on his or her behalf
 - This authority comes from state law (e.g., Power of Attorney, guardian) or other applicable law (e.g., tribal or military law)
 - By enlisting the assistance of others
 - Spouse, relative, friend, caregiver, or advocacy group volunteer

Enrollment Options

- People eligible for Medicare prescription drug coverage may enroll in a
 - Prescription Drug Plan (PDP) or
 - Medicare Advantage Prescription Drug plan (MA-PD plan)
- People enrolled in an MA plan must receive Medicare prescription drug coverage from the MA-PD plan except if
 - Enrolled in a PFFS plan without drug coverage; or
 - Enrolled in an MSA plan
- People enrolled in a cost plan can elect to receive Medicare prescription drug coverage from the cost plan or enroll in a PDP
- People must obtain Medicare prescription drug coverage from their PACE organization if it is offered

Enrollment Periods

- In general, the enrollment periods for PDPs and MA-PDs are similar
- There are three enrollment periods for PDPs
 - Initial Enrollment Period (IEP)
 - Annual Coordinated Election Period (AEP)
 - Special Enrollment Period (SEP)

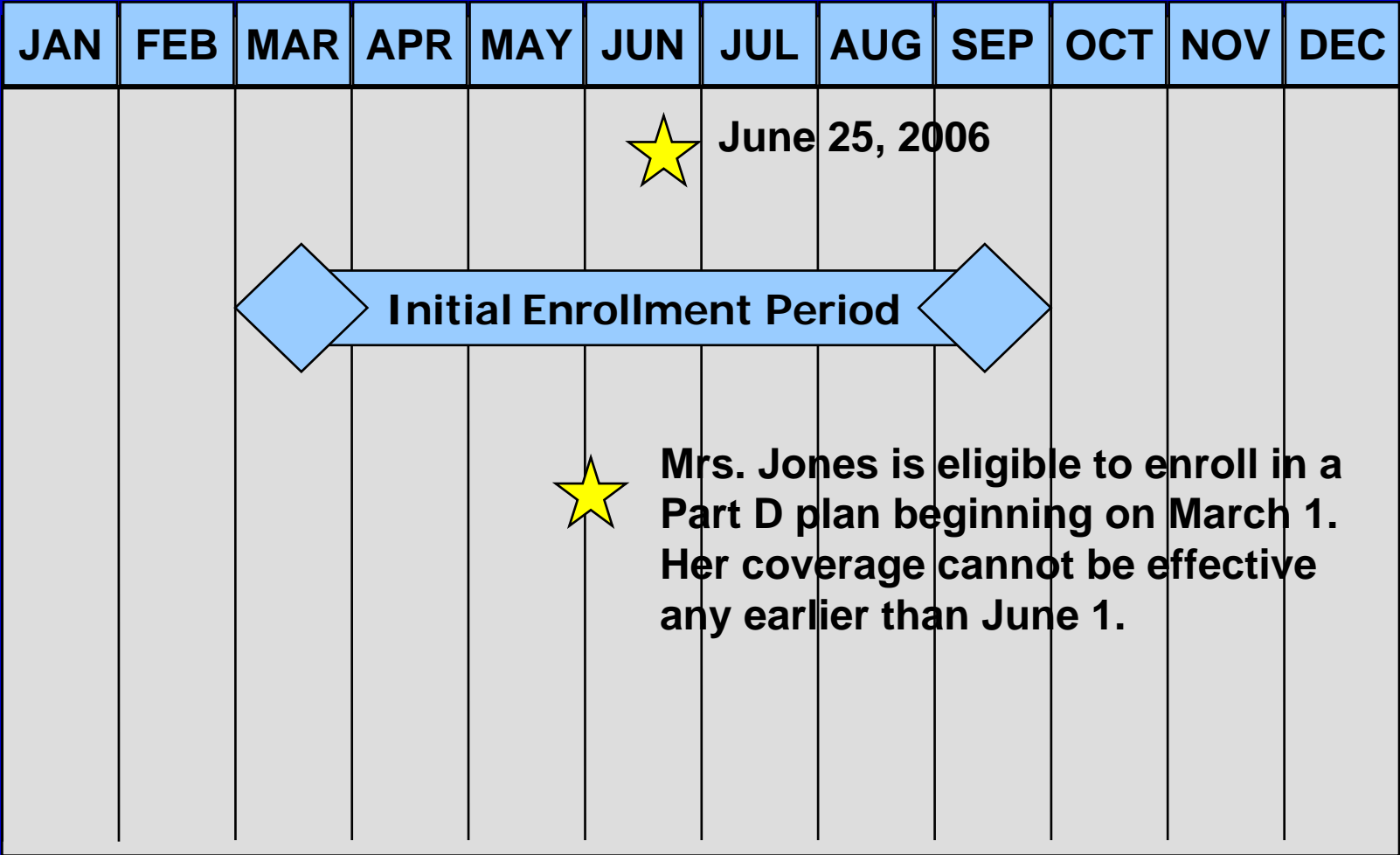
Initial Enrollment Period

- Nov 15, 2005, to May 15, 2006, for people who
 - Are currently eligible or
 - Will become eligible in November, December 2005, and January 2006
- For everyone else, the Initial Enrollment Period is similar to the Initial Enrollment Period for Part B
- This is a 7-month enrollment period
 - 3 months before eligibility for Medicare prescription drug coverage
 - The month of eligibility and
 - 3 months after eligibility for Medicare prescription drug coverage

Initial Enrollment Period

- Example
 - Mrs. Jones is turning 65 on June 25, 2006
 - She is eligible for Medicare on June 1, 2006
 - What is her initial enrollment period?

Example: Initial Enrollment Period



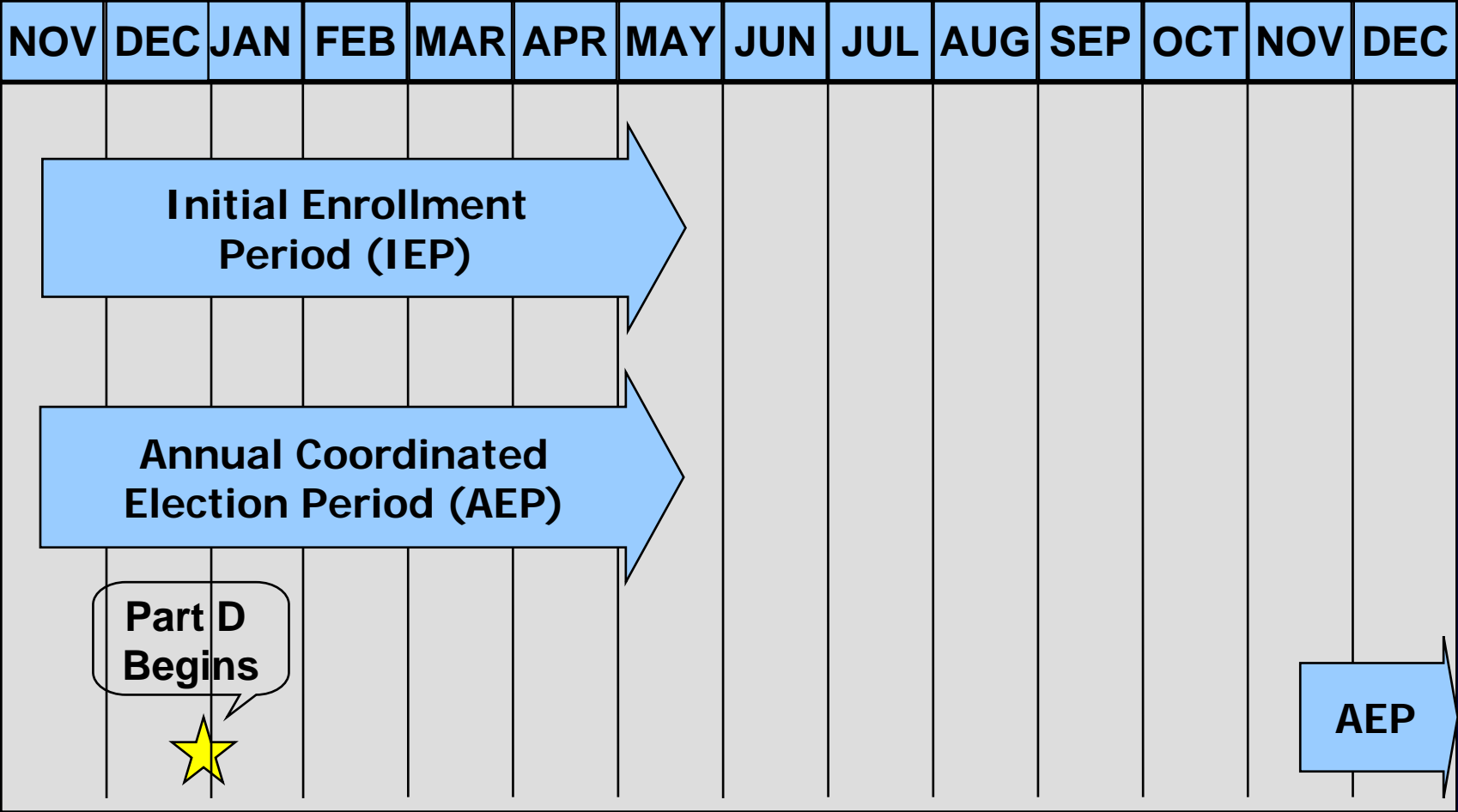
Annual Coordinated Election Period (AEP)

- For the first year, the AEP is the same as the Initial Enrollment Period (November 15, 2005, to May 15, 2006)
- In 2006 and after, the AEP is from November 15 to Dec 31 of each year

Special Enrollment Period

- Permanent move out of the plan service area
- Individual entering, residing in, or leaving a long-term care facility
- Involuntary loss, reduction, or non-notification of creditable coverage
- Other exceptional circumstances

2006 PDP Enrollment Periods*



*Does not reflect SEPs

Voluntary Disenrollment

- Generally, a person with Medicare may disenroll from a PDP only during
 - The Annual Coordinated Election Period, or
 - A Special Enrollment Period
- They will receive a notice letting them know that they are disenrolling from the plan

Involuntary Disenrollment

- Beneficiaries must be disenrolled from a Medicare prescription drug plan when they
 - Permanently move out in the service area
 - Lose eligibility for Medicare prescription drug coverage
 - Pass away
 - Are enrolled in a plan that is terminating its contract or
 - Misrepresent third party Medicare prescription drug plan coverage
- Beneficiaries may be disenrolled for
 - Not paying their monthly premiums timely
 - Disruptive behavior

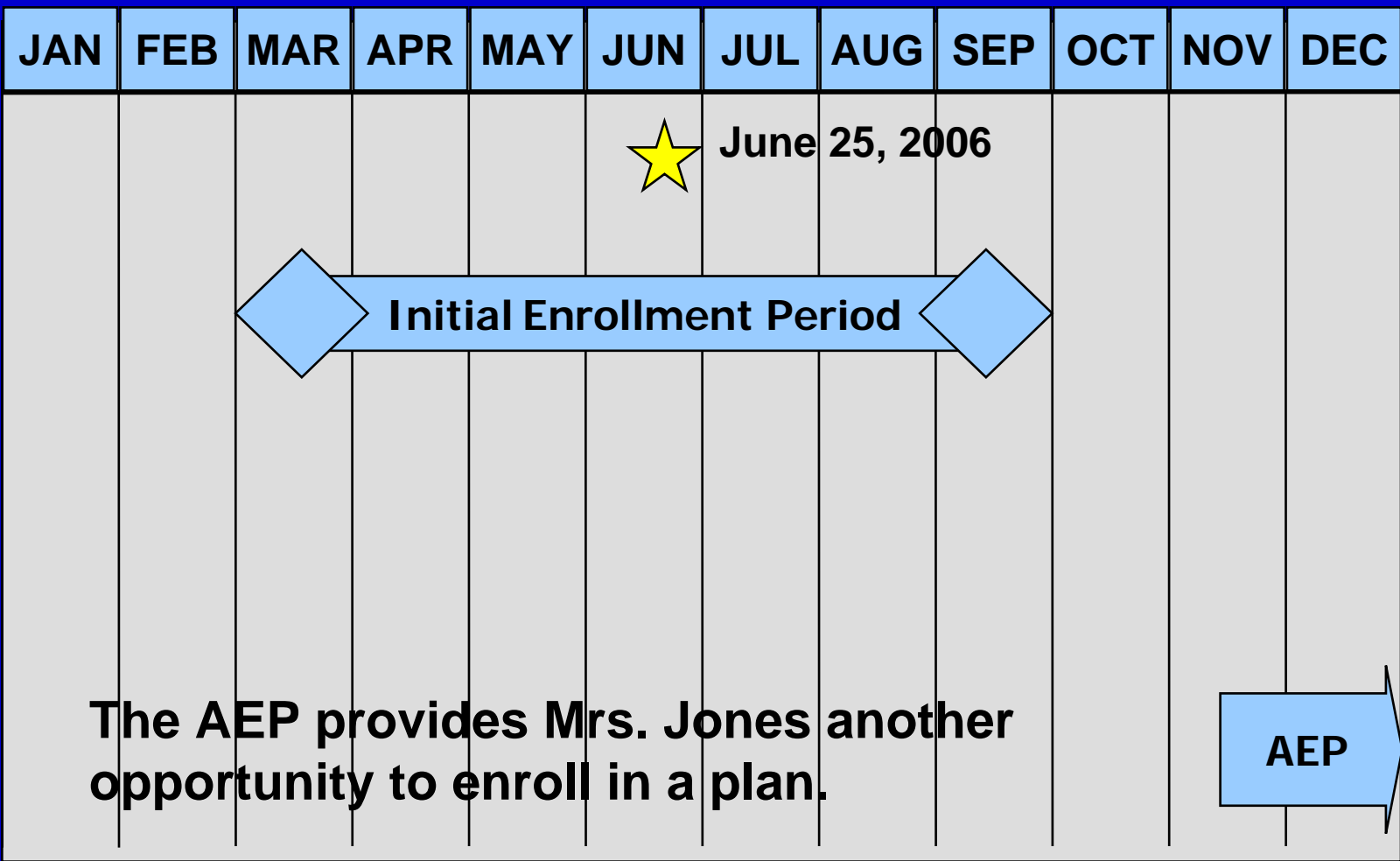
Postponing Enrollment

- Higher premiums for people who wait to enroll
 - Exception for those with prescription drug coverage at least as good as a Medicare prescription drug plan
- Assessed 1% of base premium for every month
 - Eligible to enroll in a Medicare prescription drug plan but not enrolled
 - No drug coverage as good as a Medicare prescription drug coverage for 63 consecutive days or longer

Postponing Enrollment

- Example
 - Mrs. Jones does not enroll in a Medicare prescription drug plan during her Initial Enrollment Period
 - When will she have another opportunity to enroll in a Part D plan?
 - What are the consequences of not enrolling?

Example: Postponing Enrollment



Possible Examples of Coverage at Least as Good as Medicare's

- Coverage under a PDP or MA-PD
- Some Group Health Plans (GHP)
- State Pharmacy Assistance Program (SPAP)
- VA coverage
- Military coverage including TRICARE
- * Note: The source of the current drug coverage will send a notice telling the person if it is at least as good as Medicare prescription drug coverage

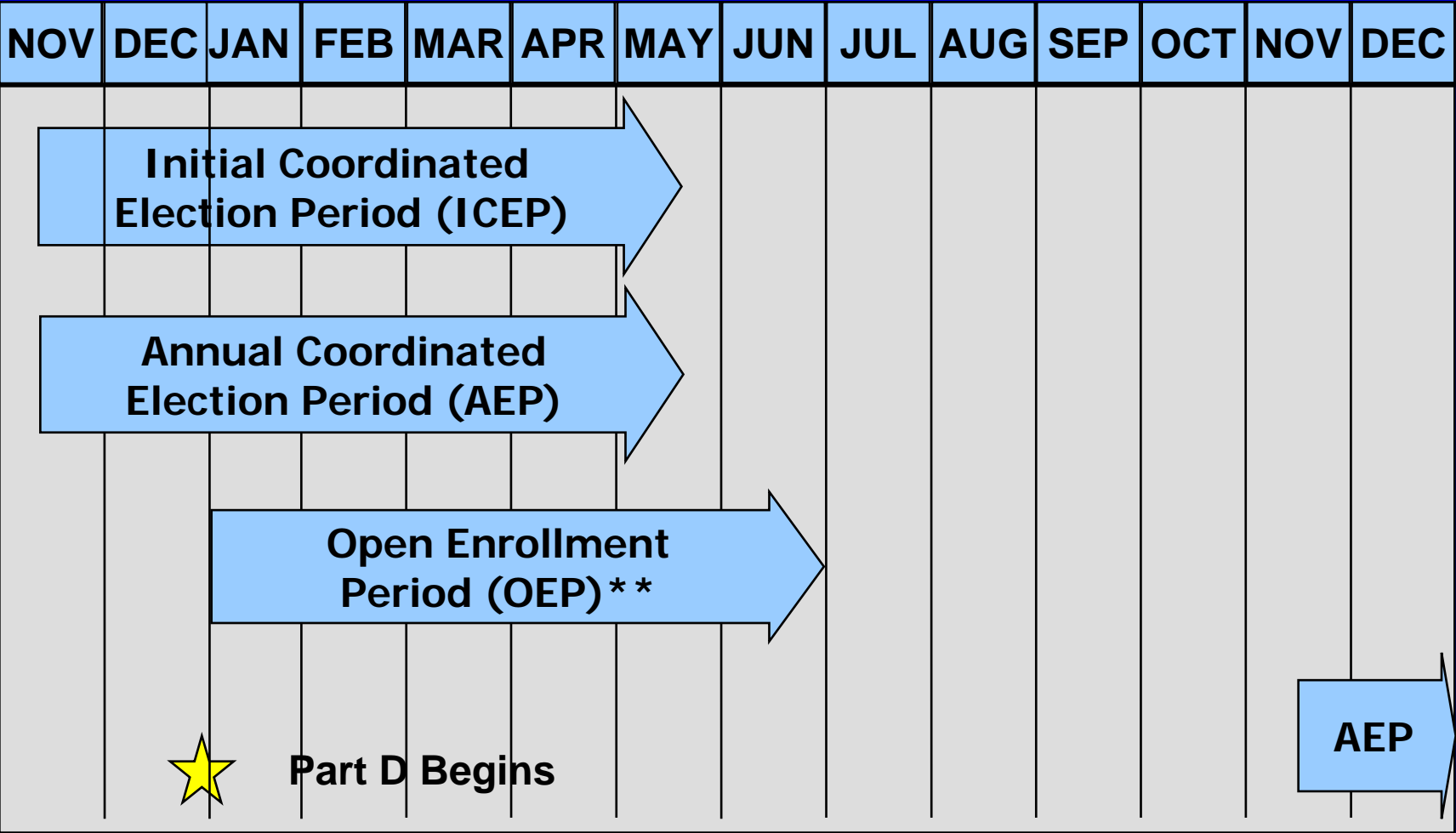
MA-PD Election Periods

- Initial Coverage Election Period (ICEP)
 - 7-month period surrounding Medicare entitlement (Part B Initial Enrollment Period)
 - 3 months prior to entitlement to Part A and Part B
- Annual Coordinated Election Period (AEP)
 - In 2006: Nov. 15, 2005, through May 15, 2006
 - In 2007 and beyond: Nov. 15 through Dec. 31
- Special Election Period (SEP)
- Open Enrollment Period (OEP)

MA-PD Election Periods

- Open Enrollment Period
 - 2006: January through June
 - 2007 & beyond: January through March
 - Enrollment limited to type of coverage as of January 1 (i.e. same “type”)
 - If MA-PD = MA-PD or Original Medicare + PDP
 - MA only = MA only or Original Medicare only
 - Original Medicare + PDP = MA-PD
 - Original Medicare only = MA only

2006 MA-PD Enrollment Periods*



*Does not reflect SEPs

** Open and limited to same type of drug coverage

Enrolling in a Plan

- Look at *Medicare & You 2006* handbook
- Read about the prescription drug plans available in the area
- Contact the plan to enroll
- If someone needs help choosing a plan
 - Visit www.medicare.gov and get personalized information
 - Call 1-800-MEDICARE
 - TTY users should call 1-877-486-2048
 - Call the local SHIP

Auto-Enrollment

- Medicaid prescription drug coverage for full-benefit dual eligibles ends 12/31/005
- Full-benefit dual eligibles who **do not** enroll in a plan by 12/31/05
 - CMS will enroll them in a prescription drug plan with a premium covered by the low-income premium assistance
 - Their Medicare prescription drug coverage will begin 1/1/06
- Full-benefit dual eligibles have a SEP
 - Can change plans any time

Facilitated Enrollment

- CMS is facilitating the enrollment
 - Of additional people with Medicare if they do not choose a plan by May 15, 2006
 - These include people with MSP, SSI-only, and those who apply and are determined eligible for the extra help
 - Coverage effective June 1, 2006

U.S. Territories

- Each territory has its own PDP region
- Each territory can develop its own extra help
 - Help with premiums, co-insurance, copayments, deductibles
 - Or provide supplemental coverage

Long-Term Care Facilities

- LTC residents obtain drug benefits from LTC pharmacy selected by the facility
- Special Enrollment Period
 - For people who enter, reside in or leave a LTC facility
- An MA-PD plan may be open for enrollment for people who enter, reside in or leave a LTC facility
- PDP and MA-PD must ensure convenient access

Web Self-Service Application

- Two phases to be released on www.medicare.gov:
 - April 2005: Medicare Prescription Drug Benefit/Subsidy Eligibility Information Tool
 - October 2005: Medicare Prescription Drug Plan Finder Tool

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Extra Help

- Assistance with premium and cost sharing
- Eligibility determined by SSA or state
- Income and resources are counted
- Some groups are “deemed” eligible
- Multiple ways to apply
- Can apply as early as May 2005

Deemed Eligible

- Full-benefit dual eligibles
- SSI recipients
- Medicare Savings Program groups, e.g., QMBs, SLMBs, QIs
- All others must file an application for low-income assistance

Applying for Extra Help

- People with Medicare can apply
- Personal representatives can apply
 - Who has authority to act on behalf of a person with Medicare under state law (e.g., Power of Attorney, guardian) or other applicable law (e.g., tribal or military)
 - Representative payee appointed by SSA
- People with Medicare and personal representatives may enlist others to apply
 - Spouse, child, caregiver, advocacy group volunteer

How is Income Counted?

- Follows SSI rules
 - Includes income of applicant and spouse
 - Income is compared to family size standard
 - Family includes dependent relatives who reside with the applicant and who rely on them for at least half their support
 - Assistance available to people with income below 150% of the Federal poverty level (FPL) who also meet the resource test

How Are Resources Counted?

- Includes resources of applicant and spouse
- Uses a more streamlined definition than what SSI uses
- Will only consider
 - Liquid assets
 - Can be converted to cash within 20 days
 - Real estate
 - Does not include applicant's primary residence
- Extra help available to people with resources up to \$10,000 for individuals and \$20,000 for couples who also meet the income test

Extra Help

- Group 1
 - Full-benefit dual eligibles with incomes at or below 100% Federal poverty level (FPL)
- Group 2
 - Full-benefit dual eligibles above 100% of FPL; QMB, SLMB, QI, SSI-only, or non-dual eligible beneficiaries with incomes below 135% FPL and limited resources (\$6,000 per individual and \$9,000 married couple)
- Group 3
 - Beneficiaries with incomes below 150% FPL and limited resources (\$10,000 individual and \$20,000 married couple)

Extra Help

	Group 1	Group 2	Group 3
Premium \$37/month	\$0	\$0	Sliding scale based on income
Deductible \$250/year	\$0	\$0	\$50
Coinsurance up to \$3,600 out of pocket	\$1/\$3 copay	\$2/\$5 copay	15% coinsurance
Catastrophic 5% or \$2/\$5 copay	\$0	\$0	\$2/\$5 copay

How the Extra Help Works

- CMS notifies PDP or MA-PD of member's eligibility
- PDP or MA-PD
 - Reduces member's premium and cost sharing
 - Tracks amounts applied to out-of-pocket threshold
 - Reimburses any amount paid in excess

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Out-of-Pocket Threshold

- The amount of money to reach catastrophic coverage
- Consists of
 - Deductible - **\$250** in 2006
 - 25% coinsurance - **\$500** in 2006
 - 100% between \$2,250 and \$5,100 - **\$2,850** in 2006
- Medicare prescription drug plan premium is not part of out-of-pocket threshold

Sources Applied to Out-of-Pocket Threshold

- Payment from
 - People with Medicare themselves
 - Another individual such as family member
 - Medicare's cost-sharing assistance
 - Qualified State Pharmacy Assistance Program

Sources Not Applied to Out-of-Pocket Threshold

- Employer/retiree group health plans
- TRICARE
- Black Lung
- VA
- Worker's Compensation
- Automobile/no-fault/liability insurance
- Supplemental benefit portions of PDP or MA-PD

Sources Not Applied to Out-of-Pocket Threshold

- Most third party payment arrangements
- Drugs purchased outside the US
- Over-the-counter drugs
- Drugs not on the Plan's formulary
- Drugs not covered by law

How Out-of-Pocket Threshold Works

- PDPs and MA-PDs will calculate out-of-pocket threshold
- PDP will ask person with Medicare what third party coverage he/she has
- Total out-of-pocket threshold for 2006 is \$3,600
- Wrap-around drug coverage doesn't count but is beneficial

How Out-of-Pocket Threshold Works

- Example under standard benefit
 - Met \$250 deductible
 - Gets a prescription for \$100
 - PDP pays \$75
 - Person with Medicare pays \$25
 - \$250 deductible and \$25 co-insurance are counted toward out-of-pocket threshold

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Medicare Prescription Drug Coverage

- Available only by prescription
- Prescription drugs, biologicals, insulin
- Medical supplies associated with injection of insulin
- A PDP or MA-PD may not cover all drugs
- Brand name and generic drugs will be in each formulary

Excluded Drugs

- Drugs for
 - Anorexia, weight loss, or weight gain
 - Fertility
 - Cosmetic purposes or hair growth
 - Symptomatic relief of cough and colds
- Prescription vitamins and mineral products
 - Except prenatal vitamins and fluoride preparations
- Non-prescription drugs
- Barbiturates
- Benzodiazepines

Formulary

- PDPs and MA-PDs may have a formulary
- CMS will ensure formularies do not discourage enrollment among certain groups of people
- Formulary review requirements are posted on the cms.hhs.gov/pdps website
- CMS will approve formularies in advance for plans to complete their bid

Tiered Formularies - *Preferred Drug Levels*

- Tier 1 is lowest cost sharing
- Subsequent tiers have higher cost sharing in ascending order
- CMS will review to identify drug categories that may discourage enrollment of certain people with Medicare by placing drugs in non-preferred tiers
- Plan must have exceptions procedures for tiered formularies

Exceptions Process

- Ensures access to medically necessary Medicare covered prescription drugs
- Provides process for enrollee to
 - Obtain a covered Medicare prescription drug at a more favorable cost-sharing level
 - Obtain a covered Medicare prescription drug not on the formulary

Exception Requests

- Enrollees may request an exception if
 - The enrollee is using a drug that has been removed from the formulary
 - A non-formulary drug is prescribed and is medically necessary
 - The cost-sharing status of a drug an enrollee is using changes
 - A drug covered under a more expensive cost-sharing tier is prescribed because the drug covered under the less expensive cost-sharing tier is medically inappropriate

Exception Procedures

- Adjudication timeframes: A plan must notify an enrollee of its determination no later than 24 or 72 hours as appropriate
- Failure to meet adjudication timeframes: Forward enrollee's request to IRE
- Generally, plans are prohibited from requiring additional exceptions requests for refills and from creating a special formulary tier or other cost-sharing requirement applicable only to Medicare covered prescription drugs approved under the exceptions process

5-Level Appeals Process

- Redetermination by plan sponsor
- Reconsideration by Independent Review Entity
- Review by Administrative Law Judge
- Review by Medicare Appeals Council
- Review by Federal District Court

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Coordination with Other Insurers

- EGHP
- VA
- TRICARE
- Medicaid
- Medigap

Medigap

- Medigap companies that have H, I, or J enrollees must send creditable coverage notice
- Enrollees will be notified of their options

Medigap Plans H, I, and J in 2006

- On or after 1/1/06 may not be
 - Sold
 - Issued
 - Renewed
 - Policy can be renewed if modified to exclude drug coverage or if the person does not enroll in a Medicare prescription drug plan

New Medigap Plan – Plan K

- Plan K
 - Coverage of 50% of cost sharing applicable under Parts A and B except for Part B deductible
 - 100% of inpatient hospital coinsurance and 365 lifetime days of inpatient hospital services
 - 100% of any cost sharing for preventive benefits
 - Annual out-of-pocket limit of \$4,000 in 2006

New Medigap Plan – Plan L

- Plan L
 - Coverage of 75% of cost sharing applicable under Parts A and B except for Part B deductible
 - 100% of inpatient hospital coinsurance and 365 lifetime days of inpatient hospital services
 - 100% of any cost sharing for preventive benefits
 - Annual out-of-pocket limit of \$2,000 in 2006

State Pharmacy Assistance Program

- Provide wrap-around coverage
- Provide same or better coverage and save money
- Reduce state costs or expand population served
- Costs incurred by SPAP are counted toward out-of-pocket threshold
- 21 SPAPs received funding to educate their enrollees

PACE Plans

- Medicare prescription drug coverage applies
- PACE organizations treated like MA-PD plans
- Many administrative requirements will be waived
- PACE participants do not have any cost sharing

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Retiree Coverage Goals

- Maintain retiree coverage
- Minimize administrative burdens
- Minimize costs to the taxpayers

Who Are Plan Sponsors?

- Plan sponsors include
 - Private employers
 - Unions
 - Government employers (Federal, State, Local)
 - Churches

Plan Sponsor Options

- Provide drug coverage in lieu of Medicare prescription drug coverage and receive tax-free subsidy
 - Must be at least as good as Medicare prescription drug coverage to qualify
- Provide drug coverage that supplements the Medicare prescription drug coverage
 - Through a separate plan that coordinates benefits with Medicare drug plans
 - Through a contract with one or more Medicare drug plans
 - By direct contracting with Medicare to become a Medicare drug plan
- Pay part or all of Medicare prescription drug plan premiums

What People With Medicare Need to Know

About Their Current Employment-Related Coverage

- They will get a information from employer/union telling them about their options
 - They can contact their benefits administrator for more information
- They should compare their current plan to available Medicare drug plans
- Medicare is working with employers to help keep the coverage people with Medicare have through a current or former employer

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Protections for People With Medicare

- Customer service
- Pharmacy access
- Medication therapy management
- Generic drug information
- Privacy
- Uniform benefits and premiums
- Formulary protections

Plan Information Dissemination

- Plans must provide information about
 - Service areas
 - Benefits
 - Cost sharing
 - Formulary
 - Pharmacy access
 - Other aspects of coverage available through the plan

For More Information

- Visit www.medicare.gov
- Visit www.cms.hhs.gov
- Publications such as:
 - *Medicare & You* handbook
 - *Facts About Medicare Prescription Drug Plans*
- 1-800-MEDICARE

Disclaimer

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- This set of National Medicare Training Program materials is not a legal document. The official Medicare program provisions are contained in the relevant laws, regulations, and rulings.



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Thank you!

